

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Securities Act of Washington by:

Ski-Free Watersports, Inc.
Solo Watersports, Inc.
Robin Lynn Sells

Respondents

SDO - 91 - 00

STATEMENT OF CHARGES AND NOTICE OF
INTENTION TO ENTER ORDER TO CEASE AND
DESIST

Case No. 98-04-130

THE STATE OF WASHINGTON TO:

Robin Lynn Sells

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

I. RESPONDENTS

A. Ski-Free Watersports, Inc. ("Ski-Free Watersports") was a Washington corporation until its dissolution on January 9, 1997. Ski-Free Watersports conducted business in the state of Washington at all times relevant to this order.

B. Solo Watersports, Inc. ("Solo Watersports") is a Washington corporation which was created when Achilles Service Group, Inc. (also a Washington corporation) formally changed its name on April 8, 1997. Solo Watersports maintains a place of business in the city of Redmond, Washington.

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1 C. Robin Lynn Sells ("Sells") managed and controlled the operations of Ski-Free Watersports at all
2 times relevant to this order. Sells may also control the activities of Solo Watersports.

3 II. NATURE OF THE OFFERING

4 A. Robin Sells started Ski-Free Watersports for the purpose of manufacturing and selling a watercraft
5 designed to permit a single person to water-ski without assistance from others. The watercraft was originally
6 developed and patented by a publicly-traded Canadian company called Ski-Free Marine, Inc. Sells claimed
7 ownership of the watercraft and its patents from Ski-Free Marine when that company failed approximately ten
8 years ago.

9 B. In 1996, Sells recruited Gary Wegner ("Wegner") and Ted Achilles, Jr. ("Achilles") to assist him with
10 the formation of the company. The group discussed ways of funding its operations and decided to seek venture
11 capital financing. For this purpose, they created a preliminary business plan and incorporated Ski-Free
12 Watersports, Inc. on June 11, 1996.

13 C. Sells, Wegner, and Achilles were not successful in their efforts to obtain venture capital financing. In
14 December of 1996, Ski-Free Watersports ceased operations and the company was administratively dissolved on
15 January 9, 1997. Several months later, the group decided to continue the Ski-Free project by creating a new
16 corporation. Solo Watersports was formed for this purpose on April 8, 1997.

17 D. Notwithstanding the foregoing events, on or about July of 1997, Sells began offering shares of Ski-
18 Free Watersports stock for sale to residents of Washington state and elsewhere. He gave several presentations at a
19 Bellevue church and an affiliated church in California. Sells showed potential investors a videotape of the
20 watercraft and indicated that Ski-Free Watersports needed "seed capital" to fund its operations. He stated that the
21 company was planning to conduct a public stock offering and suggested that investing during its pre-IPO phase
22

1 would be very profitable. Sells did not disclose how much money he planned to raise or how the proceeds of the
2 stock offering would be used.

3 E. Sells accepted checks from investors and provided them with receipts showing the amount of money
4 invested. He required some investors to sign a subscription agreement outlining the terms of their investment.
5 Some investors also received a document entitled "Option To Purchase Stock" which gave them the right to
6 purchase a predetermined number of additional shares in advance of any future stock offering. After their
7 investment was complete, Sells sent investors a stock certificate in the mail. All receipts, certificates, and
8 agreements indicated that an investment was being made in Ski-Free Watersports, Inc. even though the company
9 did not legally exist at the time.

10 F. Investors were not informed that the price of Ski-Free shares was set arbitrarily. Some investors
11 purchased shares for \$0.45 each while others paid \$1.00 or more per share. Sells also issued "free shares" to some
12 investors as compensation for bringing in friends and family members.

13 G. Sells failed to disclose material information about himself and Ski-Free Watersports before selling
14 stock to investors. He did not provide investors with financial statements for the company or an account of its
15 operating history. As a result, they did not know what assets the company had acquired, what liabilities it had
16 incurred, or whether it had ever operated profitably. Sells also failed to identify the legal owner of the watercraft
17 patents and/or explain the nature and extent of the stockholders' claim to them. Finally, Sells did not inform
18 investors of his past business experience. Specifically, Sells did not disclose that he had filed for bankruptcy
19 protection less than one year before the stock offering commenced or that he had been involved in litigation related
20 to his prior business dealings. As a result, investors could not reasonably evaluate the merits and risks associated
21 with purchasing stock issued by Ski-Free Watersports.

1 H. On or about August 10, 1998, Sells wrote to investors and informed them that a new company, Solo
2 Watersports, would be assuming his obligations under the stock subscription agreements and that existing Ski-Free
3 Watersports stock would be converted into shares of Solo Watersports.

4 I. As with the Ski-Free Watersports offering, Sells failed to provide investors with material information
5 regarding the conversion of their stock. Investors did not receive a business plan, financial statements, or operating
6 history information for Solo Watersports. Sells also failed to disclose information about his prior business
7 experience, bankruptcy, and lawsuits in connection with the stock conversion.

8 III. REGISTRATION STATUS

9 A. Ski-Free Watersports, Inc. is not currently registered to sell its securities in the state of Washington
10 and has not previously been so registered.

11 B. Solo Watersports, Inc. is not currently registered to sell its securities in the state of Washington and
12 has not previously been so registered.

13 C. Robin Sells is not currently registered as a securities salesperson or broker-dealer in the state of
14 Washington and has not previously been so registered.

15 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

16 CONCLUSIONS OF LAW

17 I.

18 The offer and/or sale of Ski-Free Watersports stock and stock options constitutes the offer and/or sale of a
19 security as defined in RCW 21.20.005(10) and (12).

20 II.

21 The offer and/or sale of Solo Watersports stock constitutes the offer and/or sale of a security as defined in
22 RCW 21.20.005(10) and (12).

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III.

The offer and/or sale of the Ski-Free Watersports securities is in violation of RCW 21.20.140 because no registration is on file with the Administrator of Securities, state of Washington.

IV.

The offer and/or sale of Solo Watersports stock is in violation of RCW 21.20.140 because no registration is on file with the Administrator of Securities, state of Washington.

V.

Robin Sells has violated RCW 21.20.040 by offering and/or selling said securities while not registered as a securities salesperson or broker-dealer in the state of Washington.

VI.

The offer and/or sale of Ski-Free Watersports stock and stock options was made in violation of RCW 21.20.010 because, as described above, respondents failed to provide investors with material information necessary in order to make their statements, in light of the circumstances in which they were made, not misleading.

VII.

The offer and/or sale of Solo Watersports stock was made in violation of RCW 21.20.010 because, as described above, respondents failed to provide investors with material information necessary in order to make their statements, in light of the circumstances in which they were made, not misleading.

NOTICE OF INTENTION TO ORDER THE RESPONDENT TO CEASE AND DESIST

Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondents, their agents, and employees permanently cease and desist from violations of RCW 21.20.010, 21.20.040, and RCW 21.20.140.

1 **AUTHORITY AND PROCEDURE**

2 This STATEMENT OF CHARGES AND NOTICE OF INTENTION TO ENTER ORDER TO CEASE AND
3 DESIST is entered pursuant to the provisions of RCW 21.20.390 and is subject to the provisions of ch. 34.05
4 RCW. Respondents may each make a written request for a hearing as set forth in the NOTICE OF
5 OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order. If a
6 respondent does not request a hearing, the Securities Administrator intends to adopt the Tentative Findings of
7 Fact and Conclusions of Law set forth above as final and enter the Order to Cease and Desist as to that
8 respondent.

9 DATED this 9th day of October, 2000.

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12 DEBORAH R. BORTNER
13 Securities Administrator

14 Presented by:

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16 _____
17 Steven Raney
18 Securities Examiner

19 Approved by:

20 _____
21 Michael E. Stevenson
22 Chief of Compliance